



U.S. DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY

UPDATE 2014
CONFERENCE ON EXPORT CONTROLS AND POLICY

End-Use Monitoring and Effective Export Compliance



Kevin J. Kurland

Director

Office of Enforcement Analysis



EXPORT COMPLIANCE & ENFORCEMENT: MISSION AND PRIORITIES

MISSION: Protect national security, foreign policy, and economic interests by inhibiting the unauthorized export/reexport of items subject to export control.

PRIORITIES:

- Proliferation of weapons of mass destruction and their means of delivery (nuclear, chemical, biological, and missile)
- Terrorism (including designated terrorist organizations and state sponsors of terrorism)
- Sanctions/embargoes (e.g., Iran, N. Korea)
- Unauthorized military end-use
- Foreign policy/human rights



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COMPLIANCE AND ENFORCEMENT

COMPLIANCE:

- Create culture of informed compliance
- Evaluate transactions

"Those who comply with the rules benefit from strong enforcement because lax enforcement permits violators to flourish."

ENFORCEMENT:

- Detect and investigate
- Interdict shipments
- Penalize violators

Eric L. Hirschhorn,
Under Secretary for
Industry and Security



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Compliance: Complementary Mission of Industry and Government

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- 1) Ensure educated export and reexport (foreign business) communities
- 2) Be alert of suspicious inquiries
- 3) Evaluate *bona fides* of transaction parties
 - **Conduct end-use monitoring abroad**
- 4) Coordinate with partner governments/ customers to enforce/comply with complementary export controls
- 5) Identify export control violations



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End-Use Monitoring Programs

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Department of Commerce

- BIS End-Use Monitoring Program managed by the Office of Enforcement Analysis (OEA)
- Exports of items subject to the Export Administration Regulations (EAR), including Commerce Control List (CCL) items

Department of State

- Directorate of Defense Trade Controls (DDTC) Blue Lantern Program managed by DTC-Compliance (DTCC)
- Exports of U.S. Munitions List (USML) defense articles under the International Traffic in Arms Regulations (ITAR)

Department of Defense

- Defense Security Cooperation Agency (DSCA) Golden Sentry Program managed by DSCA's Directorate for Programs
- Exports of USML defense articles and services under the U.S. Foreign Military Sales (FMS) program



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What is an End-Use Check

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- An End-Use Check (EUC) is a **physical verification** on location with a party of the transaction to determine if the party is a reliable recipient of U.S. goods and that items are or will be used according to the EAR.
- As part of its licensing process and preventive enforcement efforts, BIS selectively conducts end-use checks on certain dual-use and munitions exports.
 - Monitor license condition compliance.
 - Monitor compliance of non licensed transactions.
 - Confirm the end-use.
 - Determine if the company is a reliable end-user.
 - Discover more information about the parties.



Triggered Spark Gap (Controlled for Nuclear Proliferation-3A228)



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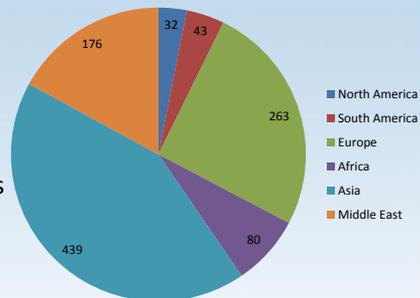
BIS End-Use Monitoring Program

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Objective: Facilitate secure exports and reliable sources of supply

- **Pre-License Check (PLC):** Establishes *bona fides* and validates information on export license applications PRIOR to shipment.
- **Post-Shipment Verification (PSV):** Strengthens assurances that all parties comply with an export license and licensing conditions to deter diversions AFTER shipment
- **Non-Licensed PSV:** Measures compliance with U.S. export controls and monitors illicit diversion of U.S. exports.

FY13 EUC Total By Region (1,033)



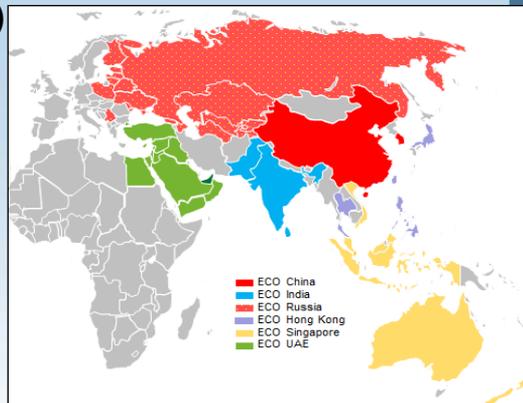
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Who Conducts End-use Verification?

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- **Export Control Officers (ECOs)**
 - Export control policy engagement.
 - Foreign government and local business outreach.
- **Sentinel Program:**
 - Checks conducted by Export Enforcement personnel in locations where no ECO is present.
- **U.S. Embassy officials**



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Consequences of Unfavorables

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- **Watch List:** Scrutiny of license applications and export transactions, including rejection, strict conditions, and pre-shipment inspection.
- **Unverified List:** Alerts exporters to exercise increased due diligence in transactions with foreign persons whose *bona fides* could not be verified. License Exceptions are not available.
- **Entity List:** Imposes restrictions on exports, absent license approval, on foreign persons involved in activities contrary to the national security or foreign policy interests of the United States.
- **Referral for Further Investigation:** May result in criminal or administrative penalties.



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Internal Compliance Program

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Elements of an Effective Compliance Program:

- Management Commitment
- Continuous Risk Assessment
- Formal Written Program: Ongoing Compliance Training
- Pre/Post Export Compliance Security and Screening
- Adherence to Recordkeeping Requirements
- Internal and External Compliance Monitoring and Periodic Audits
- Program for Handling Compliance Problems, including Reporting Violations
- Completing Appropriate Corrective Actions

- Trade benefits
- Safeguard your company's reputation
- Enforcement mitigation



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Best Practices for Evaluating Bona Fides

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- Screen customers (e.g., www.export.gov)
- Request an end-user certificate
- Visit the public website
- Review other social media sources (e.g., Twitter, Facebook, LinkedIn)
- Request business registration
- Understand foreign export control practices
- Provide license/regulatory conditions in writing and obtain written confirmation
- Conduct a visit
- Any other **red flags**?



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Export Controls: Joint Responsibility and Joint Benefits

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- Protecting national security is in the interests of the business community and BIS
- Culture of compliance:
 - Protects company reputation
 - Creates a level playing field
 - Creates trade benefits
 - Mitigates enforcement activities
- Government needs industry support...
 - ...**including facilitating successful end-use checks!**



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Thank You!

**Office of Enforcement Analysis
Bureau of Industry and Security**

www.bis.doc.gov



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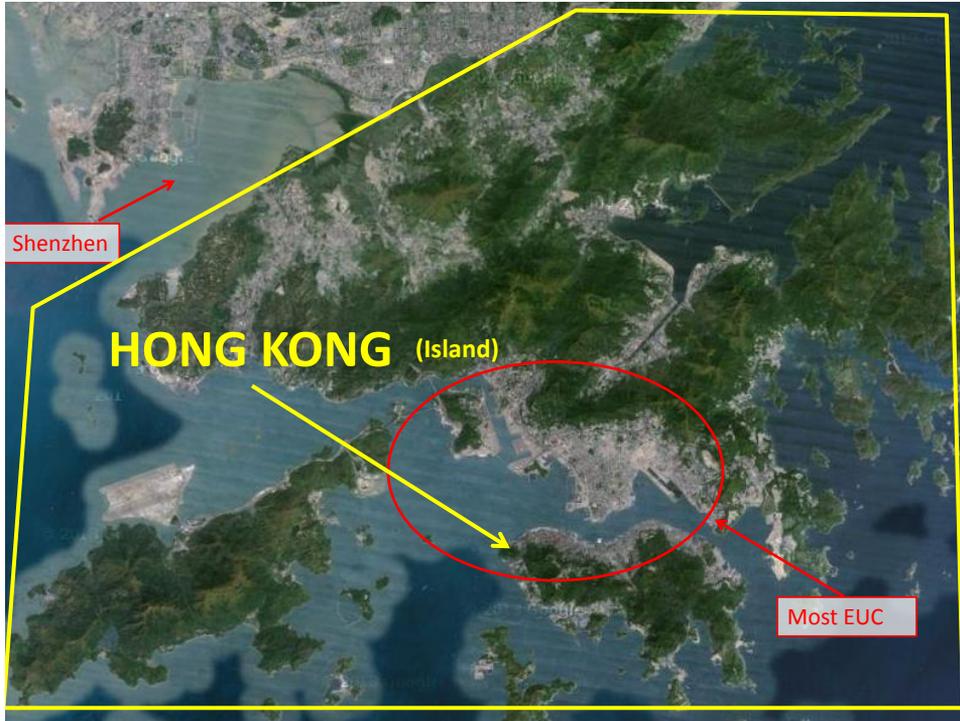
END-USE VERIFICATION



**Charles Wall
Regional Export Control Officer
U.S. Commercial Service
U.S. Consulate Hong Kong & Macau**



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Region Overview

Strategic Trade Control Laws in Place

- Japan (has own prohibited End User List)
www.meti.go.jp/english/press/data/20100903_01.html
- Taiwan
- Hong Kong (have both import and export requirements)

No Specific Strategic Trade Control Laws

- Philippines
- Thailand
- Macau

Region Overview

Hong Kong

- “Cooperating Country;” Country Groups A:6 and B
- Treated as separate entity as a result of the U.S.-Hong Kong Policy Act
- Transshipment hub, low taxes, mostly tariff-free, no foreign exchange limits, business friendly culture

Japan (Country Groups A:1-5, B)

Philippines & Thailand (Country Group B)

Taiwan (Country Groups A:6, B, D:3)

Macau (Country Group D:1, 3, 4)

Hong Kong Statistics

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| | |
|--|--|
| GDP | US\$273.2 billion in 2013 |
| GDP growth | nominal 4.6% (2013) – real GDP 2.9% (2013) |
| Per Capita GDP | US\$38,000 (2013) |
| Trade | US\$976.9 billion (2013) (358% of GDP) |
| Economic freedom | #1 in world in 2013 |
| Major industries— Services (about 58% of GDP in 2012) | Logistics & trade (24.6%) Finance (15.9%) Professional service (e.g. law & accounting) (12.8%) Tourism (4.7%) |
| Hong Kong Manufacturing | about 10,897 business unit (2012) Account 1.6% GDP (2011) |

Source: U.S. Census Bureau and Hong Kong Census and Statistic Department

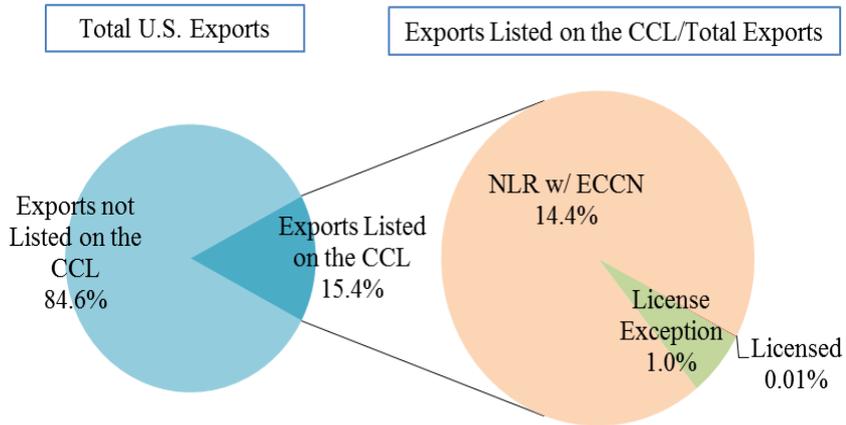


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Impact of Export Controls on U.S.-Hong Kong Trade

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2013 U.S. Exports to Hong Kong Listed on the CCL

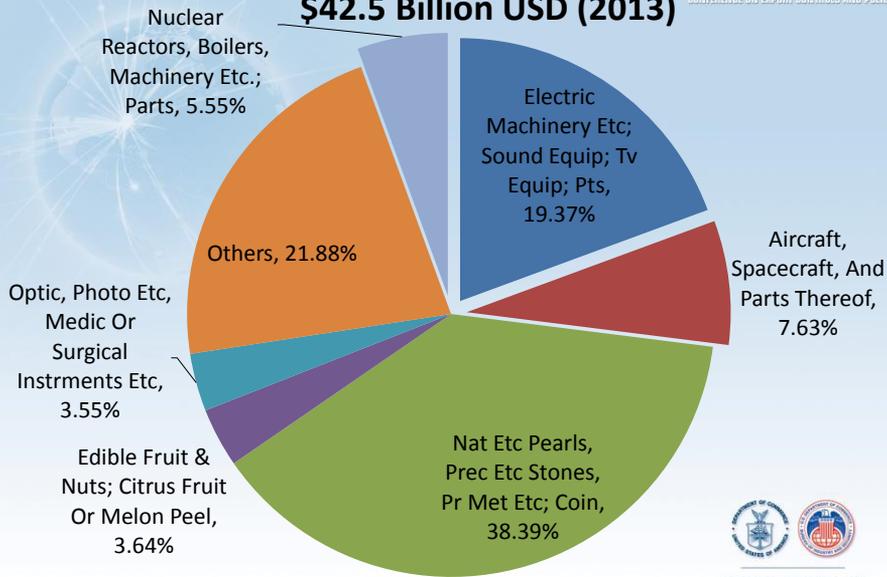


Source: U.S. Census Bureau Trade Statistics and Automated Export System (AES), March 2014.

9th Largest Market for U.S. Products

\$42.5 Billion USD (2013)

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Source: U.S. Census Bureau



U.S. – Hong Kong Trade Statistics

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- U.S. Companies: ~1339, with 316 Regional HQ (2013)
- U.S. Exports to Hong Kong: US \$42.3 Billion
 - 9th largest market for U.S. products (2013)
- Re-exports of U.S.-origin items: US \$15.4 Billion
 - 9.6% increase in 2013
 - 70.3% of U.S.-origin re-exports were to China in 2013

Source: U.S. Census Bureau and Hong Kong Census and Statistic Department



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Who I Work With

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- U.S. Commercial Service
- State Department,
Economic Section
- Legal Attaché
- Homeland Security
Investigations Attaché
- American Chambers of
Commerce
- Industry Associations
 - HAFFA
 - Hong Kong Institute of
Charter Secretaries



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Types of Items and ECCNs

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- Category 3: Electronic Components
 - ECCN 3A001.a.2.c analog/digital converters
- Category 1: Materials
 - ECCN 1C202 aluminum round bars
- Category 6: Night vision
 - ECCN 6A003.b.4.b thermal imaging camera
- 600 series items
 - ECCN 9A610.x aircraft parts



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Import/Export Requirements for Hong Kong

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- | | |
|---|---|
| <input type="checkbox"/> Import license required for multilateral controlled items (WA, MTCR, AG, NSG) | <input type="checkbox"/> Export license required for multilateral controlled items (WA, MTCR, AG, NSG) |
| <input type="checkbox"/> Applies even to transshipment, and some transit | <input type="checkbox"/> No license exceptions |
| <input type="checkbox"/> Each license authorizes one shipment | <input type="checkbox"/> Each license authorizes one shipment |

***Best Practice: Obtain a copy of HK import license prior to export from United States.**



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U.S. Department of Commerce
Where Industry and Security Intersect

Home About BIS Regulations Licensing Enforcement Compliance & Training Policy Guidance Add'l Programs Reform

ARTICLES

Foreign Import/Export License Requirements (Hong Kong/Singapore/United Arab Emirates) [Print]

Details

Exporters should be aware that their foreign customers may be required to obtain import and reexport licenses from their own government whether or not an individually validated U.S. export license is required. BIS strongly encourages U.S. exporters to know whether foreign customers are obligated to obtain licenses. As a best practice, prior to shipment, BIS recommends U.S. exporters provide foreign customers with the Export Control Classification Number (ECCN) of items to be exported and request a copy of any required licenses.

Failure of a foreign customer to honor a request to provide a copy of any required licenses would present a "red flag" that indicates an export may be destined for an inappropriate end use, end user or destination. (For "red flag" guidance, see [Supplement No. 3 to Part 732 of the EAR](#).)

Officials of Hong Kong's Singapore's, and the United Arab Emirate's trade agencies recently requested that BIS remind U.S. exporters of their licensing requirements. Information on those requirements may be found at:

<http://www.tid.gov.hk>
Hong Kong Trade and Industry Department website

<http://www.customs.gov.hk>
Hong Kong Customs and Excise Department website

<http://www.customs.gov.sg>
Singapore Customs website

<http://www.uae-embassy.org/business-trade/trade-export>
Embassy of the United Arab Emirates in the United States

Red Flag Indicators for Hong Kong

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- ✓ Registered address matches the address of company secretary and/or there are no Hong Kong owners
- ✓ "Logistics" in title of ultimate consignee name; or address sent to residential building, such as "...Garden"
- ✓ Unit and Floor should be shown in office address. Missing info are likely incomplete addresses
- ✓ Manufacturing items sent to main commercial districts of Hong Kong, or to Kwai Chung container terminal
- ✓ Internet search of phone number, address, or email turns up numerous companies
- ✓ Incorporation in Hong Kong for less than a year or two



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Red Flag Indicators for Hong Kong

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- ✓ Chinese location name like “Xi’an” or “Dongguan” will not be titles of Hong Kong company names
- ✓ “LLC,” “Inc.,” “PLC,” “GmbH,” “Pte,” “Sdn,” “Bhd,” etc. (“Co.” or “Ltd.” is okay)
- ✓ Hong Kong phone numbers have “852” country code followed by 8 digits. Phone numbers that start with 9 or 8 or 5 are mobile numbers.
- ✓ Any phone number starting with “86” country code are from Mainland China, not Hong Kong
- ✓ Lack of knowledge about import license requirements as administered by Trade and Industry Department



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EUC Case Study An Unfavorable Pre-license Check

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- PLC: License application claims company has 26 employees in Hong Kong and will keep item in restricted access area (in Hong Kong) when not in use
- States clearly that the intent is to use in China—and clearly works in North China
- States desire for multiple items to avoid inconvenience of frequent transport



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EUC Case Study

An Unfavorable Pre-License Check

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- Company address is accounting firm/company secretary
- Owners were not from HK
- Company established one year ago
- A little questioning on company's planned security measures showed they were not prepared to implement them
- Vague responses to questions about their other companies



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Best Practices for Hong Kong

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- Much can be learned from looking at a company's latest annual return.
- Check the Consolidated Screening List
- Ask for a copy of the Hong Kong import license PRIOR to export.
- Ensure customer affirms receipt of license conditions
- If attempts to resolve one red flag result in several other red flags, exercise caution.
- Seeing is believing—if you can visit your customers...



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The Unverified List (UVL)

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- Foreign parties to transactions subject to the EAR whose *bona fides* could not be verified (e.g., could not be located or contacted, could not demonstrate disposition of EAR items, etc.)
- Imposes 3 conditions on transactions involving listed persons:
 - 1) Mandatory electronic export information filing for all shipments
 - 2) Suspension of all license exceptions
 - 3) Prior consignee statement for items not subject to a license requirement
- Separate from the Entity List, which establishes a license requirement for entities acting *contrary to U.S. national security and foreign policy*. Generally establishes a license review policy of a presumption of denial.
- On June 16, 2014, BIS added 20 Hong Kong parties to the UVL (79 *Federal Register* 34217):



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Useful Online Resources

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- Business Registration – Inland Revenue Department
- Company Registration – Company Registry
- Online search tools are available at www.gov.hk/en/business/registration/businesscompany/



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Business Registration Number (All Business)

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- Search by Full Company name.
- Business Registration e-copy is available

Screen ID:SC-556-2-008 - Google Chrome

https://etax24.ird.gov.hk/ird/eTAX/static/common/jsp/index.jsp?link=https://etax24.ird.gov.hk/ird/eTAX/irdtp_brn/BRNS56Intro/BRNS56Intro

GovHK 香港政府一站通 Exit

Step 1
Read Important Notes **Business Registration Number Enquiry and Application for Supply of Information on the Business Register**

Step 2
Select Service

Step 3
Enter Details of Target Business

Step 4
Enter Applicant Information

Step 5
Make Payment

Step 6
Acknowledgement

Step 3 - Business Registration Number Enquiry

Particulars of your target business:

| | |
|--|------------------|
| Business Registration No. | 10041488 - 000 |
| Name of Business / Corporation (Chinese) | 中輝行 |
| Name of Business / Corporation (English) | CENTRE BRIGHT CO |

It is recommended that you print a hard copy of this page for reference.

[Back](#) [Print](#) [New Search](#) [Application for supply of information](#)

Step 3 of 6

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Company Registry (Limited Company or Corporation only)

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- Search Company by full name or left partial
- Search Directorship by full name
- Company Document is available online such as Annual Return, director information, etc.
- Company status is available, such as dissolved, winding up, name changed, active



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Welcome to ICRIS! - Google Chrome
https://www.icris.cr.gov.hk/csci/cns_basic_comp.do

網上海關中心
 ICRIS
 Cyber Search Centre

SEARCH Product Shopping About e-Search Logout

Welcome! System Clock: 11-JUN-2014 11:54:48 GMT+0800

Company Name Search

Your Search: LEFT PARTIAL match with 'Centre Bright', CR No.: = 0639550

| | |
|------------------------|--|
| CR No.: | 0639550 |
| Company Name: | CENTRE BRIGHT ELECTRONICS COMPANY LIMITED 中輝行電子有限公司 |
| Company Type: | Private company limited by shares |
| Date of Incorporation: | 18-MAR-1998 |
| Active Status: | Live |
| Remarks: | - |
| Winding Up Mode: | - |
| Date of Dissolution: | - |
| Register of Charges: | Unavailable |
| Important Note: | - |

Name History

| Effective Date | Name Used |
|----------------|--|
| 18-MAR-1998 | CENTRE BRIGHT ELECTRONICS COMPANY LIMITED 中輝行電子有限公司 |

Please select if you want to perform other searches or order other products for this company:

Image Record (including Document Index) GO

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U.S. Commercial Service Assistance

- Trade promotion arm of Department of Commerce's International Trade Administration
- Services for the U.S. exporter from U.S. Export Assistance Centers: Business Matching, Background Reports, Trade Counseling
 - International Company Profile service
- www.trade.gov or www.export.gov

Hong Kong Strategic Trade

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- Hong Kong Trade and Industry Department:
www.tid.gov.hk/eindex.html

- Hong Kong Customs:
www.customs.gov.hk/en/trade_controls/control/index.html

- Hong Kong Export Control Ordinance/Regulations
(Chapter 60):
www.legislation.gov.hk/eng/home.htm



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Thank You!

Consulate General Hong Kong & Macau

Charles.Wall@trade.gov or

Carrie.Chan@trade.gov

www.export.gov/hongkong

www.bis.doc.gov



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END-USE VERIFICATION



Donald Pearce
Regional Export Control Officer
U.S. Commercial Service
American Embassy Singapore



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Region Overview

| | <u>Country Group</u> |
|-----------------------|----------------------|
| Singapore | A:6, B |
| Malaysia | B |
| Indonesia | B |
| Vietnam | D:1,3,5 |
| Australia | A:1-5, B |
| New Zealand | A:2-5, B |
| (Cooperating Country) | |



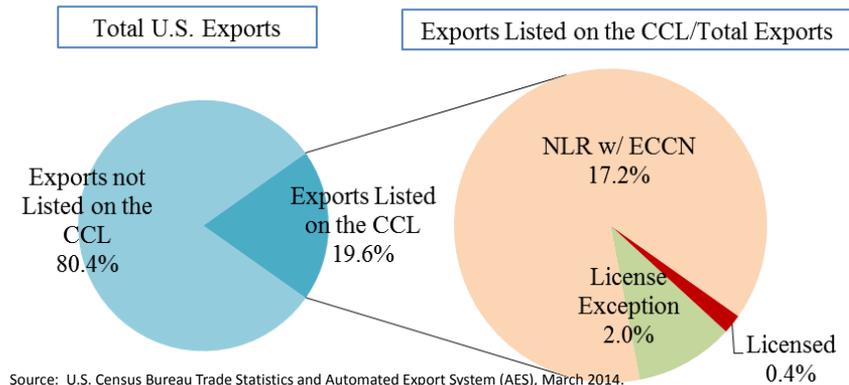
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Impact of Export Controls on U.S.-Singapore Trade

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In 2013, U.S. exports to Singapore increased 0.7% from \$30.5 billion to \$30.7 billion, while imports decreased 11.9% from \$20.2 billion to \$17.9 billion and the trade surplus increased 25.3% from \$10.3 billion to \$12.9 billion.

2013 U.S. Exports to Singapore Listed on the CCL



Regional Outlook

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- ❑ Singapore
 - the #1 transshipment port in the world, ranked "The World's Easiest Place to do Business" seven years in a row.
- ❑ Malaysia
 - Services and manufacturing account for 85% of GDP
- ❑ Indonesia
 - Southeast Asia's largest economy, with growth targets at 7% for 2014
- ❑ Vietnam
 - A true "emerging market"- industrial production growing at around 12%/year
- ❑ Australia
 - A growing partner in the defense industry, now bolstered with Strategic Trade Authorization license exception and the U.S.-Australia Defense Trade Treaty
- ❑ New Zealand
 - Rising consumer confidence and opportunities in construction and infrastructure to rebuild earthquake damaged Christchurch



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Who I Work With

- Embassy Colleagues
 - U.S. Commercial Service
 - Economic & Political Affairs sections
 - Defense Attaché – Office of Defense Cooperation
 - Law Enforcement - FBI, ICE, CBP, RSO
 - Export Control and Related Border Security Program (ExBS)
- Host Countries
 - Customs, Defense, Foreign Affairs and Law Enforcement agencies
- Industry Partners
 - Compliance and Export Controls practitioners
 - Industry associations and groups

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Types of Items and ECCNs

- Category 2: Chemical production equipment
 - ECCN 2B350 for Oil & Gas / Petrochemical
- Category 6: Pressure transducers
 - ECCN 6A226 for Semiconductor industry
- Category 9: Military aviation parts
 - ECCN 9A610 for Maintenance, Repair and Overhaul
- License Exception and EAR99 checks
 - Wide variety of goods

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Import / Export Requirements

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- Export permit requirement for strategic goods
 - Singapore*
 - Malaysia
 - Australia
 - New Zealand
- Import permit requirement for certain strategic goods
 - Singapore
 - Malaysia
 - Australia
- Note that in both cases, proof of a U.S. export license is often required to process the permit request.



* An export permit is required for certain items transshipping through Singapore's Free Trade Zone, including most military (e.g., 600 Series), chemical/biological, nuclear, and missile items.



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Where Industry and Security Intersect

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Foreign Import/Export License Requirements (Hong Kong/Singapore/United Arab Emirates)

[Print]

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<http://www.td.gov.hk>
Hong Kong Trade and Industry Department website

<http://www.customs.gov.hk>
Hong Kong Customs and Excise Department website

<http://www.customs.gov.sg>
Singapore Customs website

<http://www.uae-embassy.org/business-trade/trade-export>
Embassy of the United Arab Emirates in the United States



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Red Flag Indicators for Region

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- ✓ Willing to pay top dollar.
- ✓ Will not provide an address for the ultimate end-user.
- ✓ Changes delivery address at the last minute.
- ✓ Utilizes a freight forwarder as the ultimate end-user address.
- ✓ Payment by wire from a third country, often by a company not associated with the transaction.



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EUC Case Study

A Favorable Post-Shipment Verification

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- Supply Chain check
 - Six specialty valves exported with license authorization, classified under ECCN 2B350 for petrochemical refinery
 - Freight forwarder located in Singapore
 - Ultimate consignee was a trading company located in Indonesia
- Scheduled check at forwarder
 - Singapore Customs attended check
 - Freight was still in warehouse awaiting re-export
 - No Strategic Export Permit applied for – slated to move within the week
 - Singapore Customs personnel were able to walk the company through the procedure prior to delivery of the goods, preventing a violation of Singapore law



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- Scheduled follow-up check at the trading company
 - Item was still in Customs Bonded Warehouse due to a contract dispute with the forwarder in Singapore and the exporter
 - Client is a major refinery – the distributor’s principal client
 - Hoped to have the valve available for inspection at the refinery soon
- Postscript – the valve has arrived at the ultimate end-user
 - We’ll see it on the next regional trip



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Best Practices for Region

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- End-use checks are proactive tools
 - A well-timed check can detect and prevent violations, unintentional or otherwise...
- Know your customer, your supply chain partners, your local regulations, and your INCOTERMS!
 - Before partnering with an overseas forwarder, ensure that they are aware of both United States and local regulations, and ensure you have outlined the responsibilities of each party to the transaction.
 - For Singapore, ensure that if strategic commodities are going to be reexported, they have the required licenses. Even transshipments may require a license if the commodity is listed on Singapore Custom’s *Fourth Schedule*. www.customs.gov.sg



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Useful Online Resources

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- Singapore Customs
 - www.customs.gov.sg
- Malaysia Ministry of International Trade and Industry
 - www.miti.gov.my
- Australia Defence Export Control Office
 - www.defence.gov.au/deco/
- New Zealand Ministry of Foreign Affairs & Trade
 - www.mfat.govt.nz



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Thank You!

U.S. Embassy Singapore
27 Napier Road, 258508 Singapore

office.singapore@trade.gov

www.export.gov/singapore



www.bis.doc.gov

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END-USE VERIFICATION



Craig Phildius
Regional Export Control Officer
U.S. Commercial Service
American Consulate Dubai



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Regional Overview



Based in the UAE with regional responsibility for 15 countries.

Regional trade has connections with 3 U.S.-sanctioned destinations (Iran, Syria and Sudan).



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Regional Overview

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| Country Group | | Country Group | |
|---------------|------------------|----------------|---------------|
| ▪ Bahrain | B, D:3-4 | ▪ Lebanon | B, D:3-5 |
| ▪ Jordan | B, D:3-4 | ▪ Malta | A:3,6, B |
| ▪ Kuwait | B, D:3-4 | ▪ Oman | B, D:3-4 |
| ▪ Turkey | A:1-5, B | ▪ Qatar | B, D:3-4 |
| ▪ Cyprus | A:3-4, B, D:5 | ▪ Saudi Arabia | B, D:3-4 |
| ▪ Egypt | B, D:3-4 | ▪ Syria | D:3-5, E:1 |
| ▪ Iraq | D:1-5 | ▪ Yemen | D:3-4 |
| ▪ Israel | A:6, B, D:2-4 | | |



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UAE Trade Statistics

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- ❑ Country Groups B and D:3-4.
- ❑ \$24.6 Billion in U.S. exports to the UAE in 2013 (+9.1%).
- ❑ U.S. ranked 3rd in import customers for UAE.
- ❑ Total trade in the UAE up 7.6% in 2013.
- ❑ 70-80% of all goods received in the UAE are re-exported.
- ❑ 3rd largest re-export market for the UAE is Iran (\$7.1 Billion in exports to Iran in 2013).
- ❑ Approximately 100 EUCs conducted annually.



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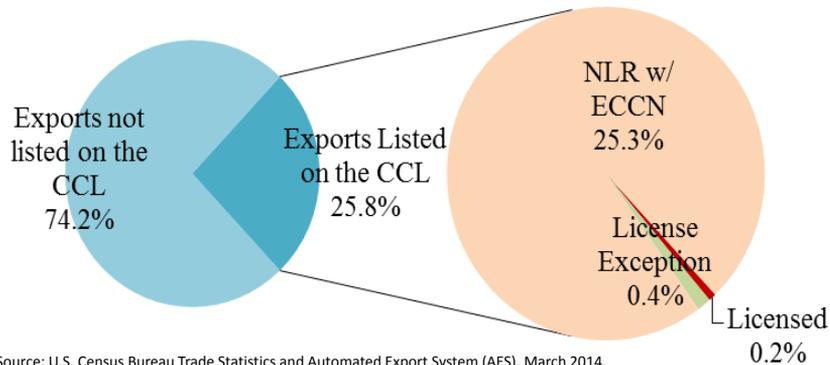
Impact of Export Controls on U.S.- Russia Trade

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2013 U.S. Exports to UAE Listed on the CCL

Total U.S. Exports

Exports Listed on the CCL/Total Export



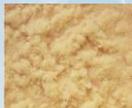
Source: U.S. Census Bureau Trade Statistics and Automated Export System (AES), March 2014.

Types of Items and ECCNs

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- Oil and Gas Industry Related Items
 - Categories 3 and 6: ECCNs 6A001, 3A231



- Chemicals, Microorganisms, and Toxins
 - Category 1: ECCNs 1C355, 1C234



- Electronics and Network Components
 - Category 5: ECCNs 5A002, 5A991



- Aircraft Parts and Components
 - Category 9: ECCNs 9A991, 9A619



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Who I Work With

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- U.S. Commercial Service
- DHS/ICE
- FBI
- U.S. State Department's Political and Economic Sections
- UAE Export Control Executive Office (ECEO)
- UAE Federal Authority for Nuclear Regulation (FANR)



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Types of Locations Visited

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- Free Trade Zones
- Industrial Parks
- Well-established companies/institutions
- General Trading Companies/Freight Forwarders



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Red Flag Indicators for the UAE

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- ✓ Multiple trading companies involved in a transaction or listed as the end-user.
- ✓ Commodity is inconsistent with the trading company and/or the end-user's business.
- ✓ UAE trading companies purchasing for end-users located outside of the UAE.
- ✓ Vague and incomplete contact details for the end-user
- ✓ Nationality of the UAE business owner and/or the end-user.
- ✓ "At risk" locations within UAE (e.g. Deira, Bur Dubai, Sharjah).
- ✓ No business registration in the UAE.



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EUC Case Study – An Unreliable End-User

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- PSV request on Dubai entity requesting computer components (cables and disc drives).
- Classified under ECCN 4A001 using NLR.
- A General Trading Company ("red flag").
- The owner is an Iranian National.
- Admitted to having several Iranian customers.
- End-user is another General Trading Company located in Dubai.



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EUC Case Study – An Unreliable End-User

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AND POLICY

- Commodity was first sent to the end-user's freight forwarder located in the Jebel Ali Free Zone.
- No documentation provided to prove the commodity was delivered to the stated end-user.
- Company owner could not state the end-use of the commodity.



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EUC Case Study – An Unreliable End-User

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- Company owner stated he receives “confirmation of receipt” by telephone or email.
- Company owner did not want to release information about his clients.
- End-use/end-user of the commodity could not be confirmed.
- As a result, the company was considered an unreliable recipient of U.S.-origin goods and technology.



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Best Practices for the UAE

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- Know the intended end-user/end-use of the commodity
- Require an end-use statement (Form BIS-711)
- Specify the ECCN and any applicable license/license exception on the export documents
- Share the license conditions with the end-user
- UAE Import License Requirement
 - www.uae-embassy.org/business-trade/trade-export
 - www.fanr.gov.ae/En/RulesRegulations/Pages/Licences-Guides.aspx
- Be wary of shipping to a General Trading Company/ Freight Forwarder if listed as the end-user
- Review the Consolidated Screening List



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U.S. Department of Commerce
Where Industry and Security Intersect

Home
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Regulations
Licensing
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Compliance & Training
Policy Guidance
Add'l Programs
Reform

ARTICLES


Foreign Import/Export License Requirements (Hong Kong/Singapore/United Arab Emirates)
| Print |

Details

Exporters should be aware that their foreign customers may be required to obtain import and reexport licenses from their own government whether or not an individually validated U.S. export license is required. BIS strongly encourages U.S. exporters to know whether foreign customers are obligated to obtain licenses. As a best practice, prior to shipment, BIS recommends U.S. exporters provide foreign customers with the Export Control Classification Number (ECCN) of items to be exported and request a copy of any required licenses.

Failure of a foreign customer to honor a request to provide a copy of any required licenses would present a "red flag" that indicates an export may be destined for an inappropriate end use, end user or destination. (For "red flag" guidance, see [Supplement No. 3 to Part 732 of the EAR](#).)

Officials of Hong Kong's Singapore's, and the United Arab Emirates's trade agencies recently requested that BIS remind U.S. exporters of their licensing requirements. Information on those requirements may be found at:

<http://www.tid.gov.hk>
Hong Kong Trade and Industry Department website

<http://www.customs.gov.hk>
Hong Kong Customs and Excise Department website

<http://www.customs.gov.sg>
Singapore Customs website

<http://www.uae-embassy.org/business-trade/trade-export>
Embassy of the United Arab Emirates in the United States

Addition of UAE Parties to the UVL

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- On June 16, 2014, BIS added the following UAE parties to the UVL (79 *Federal Register* 34217):
 - Doubair General Trading Co. LLC
P.O. Box 30239, Dubai, UAE
 - Golden Business FZE
Warehouse #FZS1 AN08, Jebel Ali Free Zone
Dubai, UAE; and P.O. Box 263128, Dubai, UAE
 - World Heavy Equipment
Industrial Area 10, Ras Al Khaimah, UAE
 - World Equipment Trading L.L.C.
Industrial Area 10, Ras Al Khaimah, UAE



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Useful Online Resources

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- UAE Federal Authority for Nuclear Regulation:
 - www.fanr.gov.ae/En/Pages/default.aspx
- Dubai Department of Economic Development:
 - www.dubaied.gov.ae/English/eServices
- Dubai Chamber of Commerce:
 - www.dubaichamber.ae/portal
- Zawya(CompanyDueDiligence/Background Check)
 - www.zawya.com
- Dun and Bradstreet South Asia and Middle East
 - www.dnbsame.com



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Thank You!

Consulate General of the United States
P.O. Box 121777
Dubai, UAE
Office.Dubai@trade.gov
www.export.gov/uae

www.bis.doc.gov


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Directorate of Defense Trade Controls
Defense Trade and Blue Lantern
End-Use Monitoring Program

End-Use Monitoring Session II

Regional Affairs & Analysis
Office of Defense Trade Controls Policy
Bureau of Political-Military Affairs



Legal Authorities for Defense Trade Controls

| Reference | Subject |
|---|--|
| AECA (Arms Export Control Act), Sections 3(g), 38(g)(7), and 40A | Establishes DDTC and legal authority for defense trade controls; requires end-use monitoring of defense articles and services |
| ITAR (International Traffic in Arms Regulations) | Implementing regulations for AECA, specifies the United States Munitions List (USML) |

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COUNTRY POLICES & EMBARGOES

- Section 126.1 of the ITAR: Prohibited Exports, Imports, and Sales to or From Certain Countries
 - Belarus
 - Burma
 - Cuba
 - Eritrea
 - Iran
 - North Korea
 - Syria
 - The People's Republic of China
 - The Republic of Sudan
 - Venezuela
 - Afghanistan
 - Central African Republic
 - Cote d'Ivoire
 - Cyprus
 - Democratic Republic of the Congo
 - Fiji
 - Haiti
 - Iraq
 - Lebanon
 - Liberia
 - Libya
 - Somalia
 - Sri Lanka
 - Vietnam
 - Zimbabwe



Three End-Use Monitoring Programs



Blue Lantern - U.S. Defense Articles, Defense Services and Brokering via Commercial Channels (USML)



Golden Sentry - U.S. Defense Articles and Defense Services via Government-to-Government Channels (Foreign Military Sales Program)



Extracheck - Dual-Use Items (CCL)

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Blue Lantern Basics

- Verifies end-users, consignees, and end-uses of U.S. exports of defense articles and services
 - Pre-license and post-shipment checks (50/50)
- Performed worldwide by U.S. Embassy personnel in cooperation with host governments since 1990
 - 93 countries in FY 2013
- Required by U.S. law: High interest by Congress, media, and non-governmental organizations (NGOs)
- U.S. and foreign industry aware of program

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Objective 1 Build Confidence in Trade Relationship

- Monitor transfer of sensitive hardware, technology, and services
- Verify bona fides of parties, especially intermediaries
- Foster cooperation/confidence among U.S. government, host government, and industry
- Enhance understanding of U.S. export controls (e.g., USG approval required to re-export)
- **NOT a law enforcement action or “investigation”**

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Objective 2 Regulate Hardware & Technology Transfer

- Support and facilitate transfer of greater volume and more advanced hardware or technology

OR

- Result in increased scrutiny and/or restrictions on future exports

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Objective 3 Impede Gray Arms Trade

- Use of legitimate means for illicit ends
- Tools & Techniques
 - False end-use documentation
 - Front companies
 - Brokers
 - Hidden intermediaries/end-users
- Impeding gray arms trade improves international security and stability

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Vetting Licenses



Entities on every license are run against the **Watch List**

- 100,000+ entities from various USG sources
- Compiled from various USG sources, classified & unclassified
- Hit on Watch List may lead to a Blue Lantern
 - 918 Blue Lanterns out of ~83K export authorization requests in FY 2013

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Warning Flags End-User & End-Use Indicators



- Unfamiliar, limited, or any derogatory background information. Possible front companies
- Payment in cash or at above-market rates
- Incomplete or suspect supporting documentation
- End-user unfamiliar with hardware/technology or its use
- End-user declines follow-on repair or maintenance service or other warranty options



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Warning Flags Commodity Indicators



- Hardware in excessive quantity inconsistent with inventory of end-user
- Hardware or technology in demand by proscribed countries. See http://www.pmdtc.state.gov/embargoed_countries/index.html



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Warning Flags Commodity Indicators



- Sensitive hardware or technology



Stealth Fighter



Night Vision
Devices



Unmanned
Aerial
Vehicles



Missiles or
Rockets

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Warning Flags Country or Shipping Indicators



- Unusual or circuitous routing or trans-shipment through multiple countries or foreign parties
- End-user or consignee in a foreign free trade zone
- Unknown or unfamiliar intermediate party
- Vague or suspicious delivery dates, locations (e.g., P.O. box), shipping instructions, packaging requirements
- Designation of freight forwarders as foreign consignees or foreign end-users

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Blue Lantern Referrals



- Licensing Officers
- Department of Defense (e.g. Defense Technology Security Agency)
- Department of Homeland Security/Homeland Security Investigations
- Federal Bureau of Investigations
- Intelligence Community
- Open Source Reporting

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Types of Blue Lanterns

- **Pre-License** (50-60%)
 - Confirms order
 - Verifies *bona fides* of parties
 - Determines foreign import authorization
 - Verifies end-use
 - Ensures foreign parties understand ITAR requirements
- **Post-Shipment** (40-50%)
 - Confirms receipt by end-user
 - Confirms end-use per license and provisos
- **Post-License/Pre-Shipment** (<5%)

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Life-Cycle of a Blue Lantern

Washington

- Generate case
- Research companies and technologies
- Draft, clear, and send action request cable to Post

Post

- Conduct check, including research and site visit, if appropriate
- Draft, clear, and send response cable back to Washington

Washington

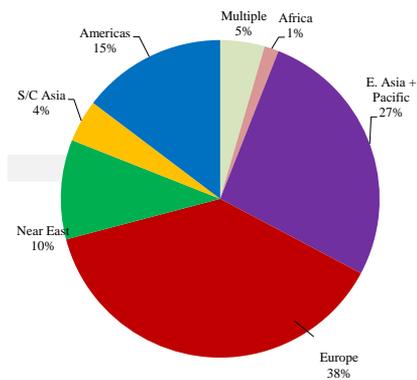
- If favorable, recommend issuance of license; record results for future reference
- If unfavorable, recommend application be either returned without action (RWA), denied, or revoked; if appropriate, add entities to Watch List, refer to Enforcement Division for possible civil and/or criminal action

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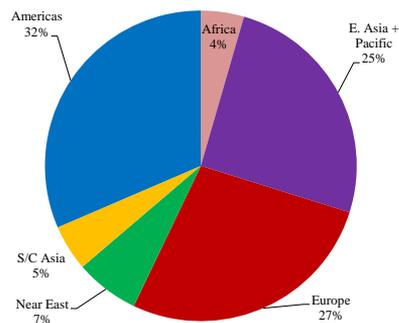


Regional Breakdown FY 2013

**Figure 1: Authorization Requests
By Region FY 2013**



**Figure 2: Blue Lantern Initiated
By Region FY 2013**



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Reasons for “Unfavorable” Responses FY 2013

| | |
|--|----|
| Derogatory information/ foreign party deemed unreliable recipient of USML | 70 |
| Indications of diversion or unauthorized retransfer or re-export | 47 |
| Refusal to cooperate | 38 |
| Unable to confirm order or receipt of goods by end-user | 25 |
| Foreign party involved in transaction but not listed on license/ application | 21 |

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Blue Lanterns

Blue Lanterns Initiated Jan. 2013-July 2014

| | Favorable | Unfavorable | Pending | Total |
|-----------|-----------|-------------|---------|-------|
| Hong Kong | 1 | 4 | 2 | 7 |
| Singapore | 12 | 2 | 2 | 16 |
| UAE | 9 | 2 | 5 | 16 |

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Case Studies

Shell Company

Export License

- Commodity: Aircraft
- End-user: Police, East Asian Country
- Foreign Consignee/Broker: East Asian Private Company

Reason for Check

- Transshipment concerns
- Significant Military Equipment

Findings

- Foreign consignee/broker had no physical presence in the East Asian country: merely a shell company and could not comment on the licenses

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Case Studies

Unauthorized Party

Export License

- Commodity: Aircraft Components
- End-user: MOD, East Asian Country
- Foreign Consignee: East Asian Private Company

Reason for Check

- Transshipment concerns
- Significant Military Equipment

Findings

- Refused to cooperate. Unauthorized entity involved in the transaction.

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Case Studies

Unable to confirm receipt

Export License

- Commodity: Artillery and aircraft components
- End-user: MOD, Middle Eastern Country
- Foreign Consignee: Middle Eastern Private Company

Reason for Check

- Transshipment concerns

Findings

- Unable to confirm order or receipt of goods by the foreign consignee and end-user

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QUESTIONS?

Jae Shin
 Senior Compliance Officer
 Regional Affairs and Analysis
 Office of Defense Trade Controls Policy
 ShinJE@state.gov
 202-632-2107
 pmddtc.state.gov

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